

Sunday, March 06, 2011

Members of the Finance, Revenue and Bonding,

I am here today to speak in opposition to the elimination of the PILOT payment to municipalities for Manufacturing Machinery and Equipment. I fully support the Exemption as it does provide relief for manufacturers in an environment which is already challenging for such reasons as high energy costs, etc.

This loss of revenue will definitely result in an increase in property tax—in the Town of Sprague it means a loss of over \$400,000 (this is calculated at less than the 80% provided in the statute) fully 5% of the revenue of the Town. This would mean taxes for both residents and businesses in Sprague would have to increase a minimum of 2 mills. This would be in addition to the other rising costs relating to day - day expenses and again I mention energy.

My fear is that this action will result in an eventual loss of the exemption thus causing a drifting out of the state of more manufacturers and thus more jobs. It also discourages municipalities from encouraging manufacturers to move into their area as the greater amount of income is received on the personal property side.

There are basic facts that we, in Connecticut, need more manufacturers both small and large to move into our state. The fact is we need jobs that provide a way for Connecticut residents to remain or get into the middle class. I have been promoting this program as well as other enticements in an effort to attract more manufacturers to move into our area.

I do have a bill pending on this program which would allow the Office of Policy and Management to waive a filing deadline for a local company, this action would allow a tax abatement of \$130,000 to this company. The Town of Sprague is willing to wait (but hopefully) to receive this revenue. The resulting payment of this \$130,000 would still leave the Town with a shortfall of over \$70,000.

This committee I know realizes that each municipality "forgives" through virtue of this program 20% of the taxes it would receive if the PILOT money was paid as

the statute is written now. The actual payment "forgiven" is closer to 40% as the pool of money shrinks each year causing inaccurate revenue numbers as the actual pool is not established until November well after the adoption of a budget.

As a designated distressed municipality we struggle every day to make the most out of every dime we get from our taxpayers, they expect us to be frugal as we are. We just suffered the loss of a manufacturing company at the end of January which provided 82 jobs for people in Southeastern Connecticut. I feel that the elimination of this program is detrimental to the growth of jobs in an area of the state already suffering from layoffs.

Please restore the funding to this vital program, the loss of which is simply bad public policy.

Thank you for your time

Catherine Osten

First Selectman, Town of Sprague

Provided below is excerpts from the statutes, and from the OPM website

The Manufacturing Machinery and Equipment Exemption Program provides for 100 % exemption of local property taxes on qualified, newly acquired manufacturing machinery and equipment. The State of Connecticut reimburses municipalities for the exemptions granted under the provisions of the program. Qualified manufacturing and biotechnology companies may receive a tax exemption on their local property taxes for a period of five years. To qualify for exemption, machinery and equipment must be five or seven-year property as defined by the Internal Revenue Service, acquired within prescribed time periods, and used predominantly for manufacturing and research and development purposes. Biotechnology and the production of motion pictures, video and sound recordings and recycling as defined in Connecticut General Statutes 22a-260, as well as more traditional manufacturing activities, are included in the program. Applicants may apply for the exemption at the local Assessor's Office by November 1 of each year.

To provide state reimbursement to towns in an amount equal to 80% of the revenue loss sustained as a result of property tax exemptions applied to eligible manufacturing machinery and equipment as defined in Connecticut General Statutes: Section 12-81(72).

Fiscal Year 2008 - Paid Out: \$41,996,523 - Recipients: 209 towns and lesser taxing districts containing 4,029 individual participants.